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~~SECRET~~

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

William F. Donnell  
Inspector General

NO.

IG 88-0160

DATE

19 February 1988

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S  
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Director, OCA  
7D43 HQS

23 FEB 1988

2.

3.

4. Executive Registry  
7E12 HQS

24 FEB 1988

Bop

5.

6.

7. Deputy Director of  
Central Intelligence

25 Feb

8

8.

9.

10. Director of  
Central Intelligence

26 FEB 1988

WHR

11.

12.

13.

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Central Intelligence Agency

Washington, D. C. 20505

INSPECTOR GENERAL

88-0160

26 FEB 1988

The Honorable Louis Stokes  
Chairman  
Permanent Select Committee on Intelligence  
House of Representatives  
Washington, D. C. 20515-6415

Dear Chairman Stokes:

With regard to your inquiry of 12 January 1988 concerning misuse or misdirection of Agency funds, I am pleased to report that there have been no cases of the type described in the first paragraph of your letter that have come to our attention during the past three years.

We have, of course, investigated allegations of financial impropriety. Our records show during this three-year period that we investigated 34 cases; 16 of which were disproven or found to be unsubstantiated; four, which came to our attention in calendar year 1987, are still under investigation; 14 resulted in a finding of impropriety. Many of the 34 cases involved young employees in their initial three-year trial period and our investigation was stimulated by information derived from polygraph retesting at the end of the three-year trial period.

The 14 cases of confirmed financial impropriety primarily involved improper reporting on time and attendance (T&A) and travel voucher fraud. The sums in question were all less than \$5,000, except for the case of one finance officer who attempted to embezzle about \$70,000. The last mentioned case was turned over to the Department of Justice (DOJ). Litigation is proceeding and some funds have been recovered. It is our policy to inform DOJ of any case which involves amounts above \$500. Otherwise, virtually all of the money in the mentioned cases has been recovered. Depending upon the records of the individuals concerned, they were either given severe reprimands (with restitution of funds) or were given the opportunity to resign or were dismissed. As a result, six of the 14 employees are no longer employed by the Agency.

25X1

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S E C R E T

I believe that our polygraph retesting program and our regular schedule of audits and inspections gives us an exceptional degree of safeguard over our allocated funds.

Sincerely yours,

/s/ William H. Webster

William H. Webster  
Director of Central Intelligence

25X1 SIG [redacted] (19 Feb 88)

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WASHINGTON, DC 20515-6415

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INSPECTOR GENERAL

88-0040

January 12, 1988

Honorable William H. Webster  
Director of Central Intelligence  
Washington, D.C. 20505

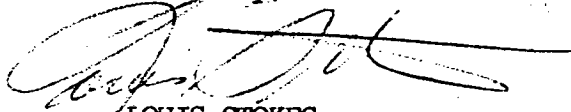
Dear Judge Webster:

On several occasions during the past two years, Department of Defense officials have notified the Committee of cases they have discovered involving individuals assigned to intelligence or intelligence-related units where U.S. Government funds have been misdirected or misused. Most of these cases have involved cash or the disbursement of funds using special bank accounts and accounting procedures.

In light of the DoD experiences and the fact that CIA operations frequently involve the use of cash or special financial procedures, the Committee would like to know what the CIA experience has been. Specifically, the Committee requests the following information concerning instances during the past two years involving the misuse or misdirection of any funds available to the Agency:

- a. Number of alleged instances;
- b. Number of instances where guilt was admitted or proven;
- c. How the misuse of funds was discovered;
- d. Nature of the misuse of funds; and
- e. Penalties imposed/disposition of cases.

Sincerely,



LOUIS STOKES  
Chairman